



AMCHAM SERBIA

A LEADER IN CHANGE

FOURTH
LAP TIME
ENGAGE FOR
CHANGE
2016







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INTRODUCTION

4TH LAP TIME SURVEY - LEADING THE CHANGE FOR THE BETTER IN SERBIA

We are proud to put in front of you the results of the annual survey that AmCham Serbia conducts for the third time among its member companies, aimed at identifying key reforms necessary to further improve business environment, provide economic growth and increase employment in Serbia, as well as highlighting challenges that companies face while doing business in Serbia.

This publication offers a snapshot of some of AmCham members' common key regulatory concerns and expectations related to further improvement of the business environment and the removal of obstacles in their day to day work.

AmCham members speak with one voice. The survey's findings represent a valuable benchmark, since they reflect the views and perceptions of 196 of the most successful U.S., international and local companies operating in Serbia with collective revenues of

almost EUR 11 billion in the country in 2015, employing around 100,000 Serbian citizens, and bringing world-class innovation and development. The survey results, which provide information about investors' satisfaction and confidence, represent AmCham's contribution to the identification of regulatory bottlenecks which the government needs to tackle if it is to ensure future growth opportunities for existing businesses and make the case for new investments.

We continue to improve the survey's content and the experience for our members. This year we have reformatted our questions to reveal more in terms of investors' confidence and the sources of company growth, as well as providing comparisons with other markets with which Serbia competes for investment. In addition, the scope of qualitative interviews has been extended significantly to expand understanding and interpretation of the numbers.



Comparing the inputs collected with the results of previous years' AmCham surveys enables us to monitor the key reform trends since 2013, to acknowledge successfully implemented reforms, such as those to labor regulations, construction permits and others, but also to identify issues that have been affecting member companies for years, such as the reform of the Tax Administration and improvements to the predictability of introducing the tax/non-tax burden, which have been among the top reform priorities since 2013.

The voice of the AmCham community gets heard. Eight AmCham working groups currently drive our efforts to improve business environment by forming their agendas according to valuable inputs received from members. By the same token, they are a valuable partner for policy makers in designing and fine-tuning priority reform measures. In a survey conducted at the end of 2013, amendments to the Labor Law were the top priority for almost all AmCham member companies. Within less than a year, amendments to the Labor Law were adopted, with more than 70% of our Labor Regulations Committee's suggestions incorporated. In the second annual survey in late 2014, members identified the grey economy and unfair competition stemming from it as an increasingly serious and even

dominant issue affecting everyday business. Less than six months after presenting the results of our survey to the government, the umbrella Law on Inspections Oversight was adopted, allowing for more coordinated action to curb illicit trade, in line with the suggestions of our Combating Grey Economy Committee. These and many more accomplishments in AmCham's first 15 years of operation have set the expectations bar high, but give us confidence to continue to push our policy priorities to the forefront of the government's agenda.

We share with our partners an ambition for a better business environment. This year we are proud that we have partnered and our colleagues at the USAID Business Enabling Project, who as the key engine for several fundamental business environment reforms in the past period, provided a perspective on the reform priorities identified in the survey. We thank them for their support and their valuable expertise in producing this publication.

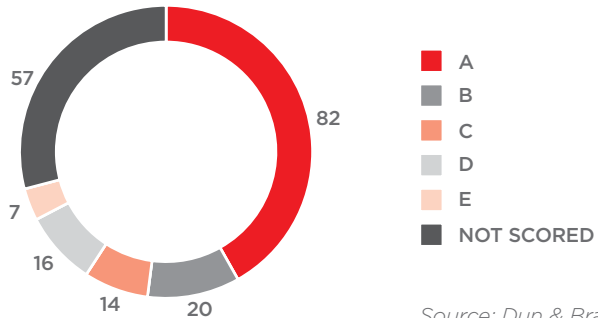
Finally, **we would like to thank all of our members for their dedication, focus and more importantly the time they spent participating in this survey.** Members' input is what drives AmCham's agenda to improve business environment and change Serbia for the better.

POWER OF AMCHAM SERBIA POWERED BY BISNODE

TOTAL OF 196 AMCHAM MEMBER COMPANIES WERE ANALYZED BASED ON THE OFFICIAL DATA GATHERED THROUGH FINANCIAL REPORTS FROM 2015.

The average financial appraisal of AmCham members is „B“, which is very good rating. 82 companies have excellent rating „A“, 20 companies have good rating „B“, while 14 are rated with an average „C“.

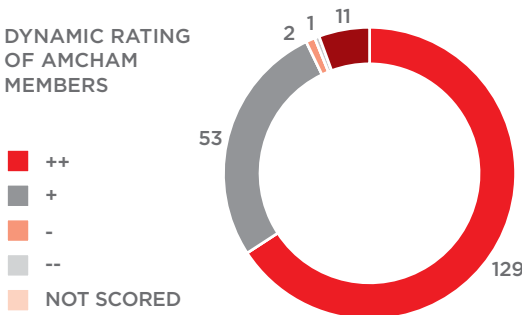
FINANCIAL APPRAISAL OF AMCHAM MEMBERS



Source: Dun & Bradstreet

Dynamic rating of AmCham members is ++ which is the best rating with extremely low probability for blocked bank accounts in the future. 129 companies have extremely low probability to be blocked in the future, and for 53 of them there is a minor probability.

DYNAMIC RATING OF AMCHAM MEMBERS



Bisnode success index, which can vary from +2 to -2, rates AmCham members with +1, as a very good rating.



Number of employees in AmCham member companies in 2015 - 97,118 people

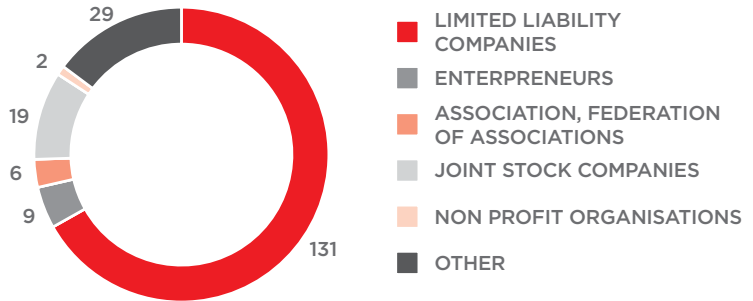
Total revenues of AmCham members in 2015 - 1,296,229,782,000 dinars, or 10.6 billion euros.

Paid income taxes of AmCham members in 2015 - 12,811,971,000 dinars, or 106 million euros.

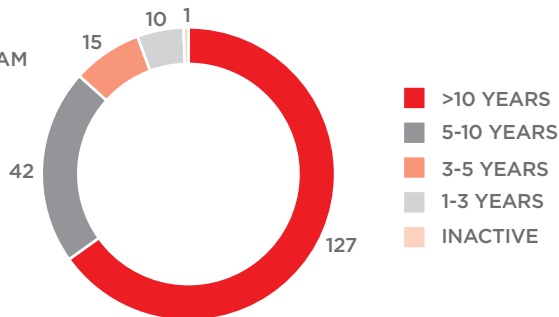
127 AmCham member companies have been operating in the Serbian market for more than 10 years.

172 AmCham member companies conduct their business operations from Belgrade.

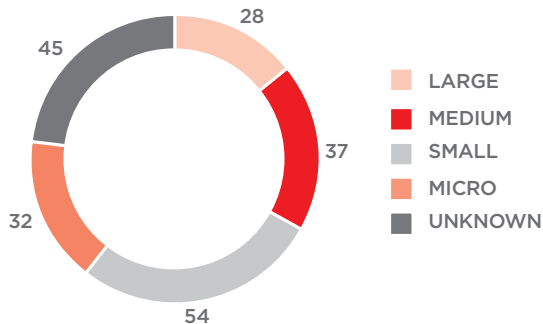
LEGAL FORMS OF AMCHAM MEMBERS



LENGTH OF DOING BUSINESS OF AMCHAM MEMBERS



AMCHAM MEMBERS COMPANY SIZE



FOURTH LAP TIME - ENGAGE FOR CHANGE 2016

EXECUTIVE SUMMARY - HOW TO ACHIEVE GROWTH

AmCham's investor confidence survey provides perception of the AmCham members about the general business climate in the country. It was conducted through a quantitative anonymous electronic poll (the sample included 54% of the membership) and 23 qualitative "face to face" interviews. The survey was performed for the third time, from June to September 2016, while previous surveys were done in late 2014 and late 2013.

Moderate Satisfaction With Expectations of Improvements - Overall Business Climate and Comparisons

- **Serbia vs its neighbors:** Serbia as an investment destination is overall rated better than Montenegro, FYR Macedonia and Bosnia and Herzegovina, while rated worse than its EU neighbors.
- **Overall satisfaction with the business environment is moderate** (84% of members are slightly to moderately satisfied), with the expectation of **improvements in the next 4 years** for 68% of members.
- **Best business climate related reforms in the previous period:** Best rated reforms are Labor Law reform, budget deficit reduction and reduction of the construction permitting administration.



- **Worst business climate related reforms in the previous period:** The worst rated are reform of public enterprises, recent public procurement reform and initiated, but stalled, parafiscal reform.
- **Trend in importance of overall business enabling reforms in comparison to 2014 and 2013.**
 - *Rising importance:* **Curbing the grey economy** remains among top priorities, with an 11% increase; **Improving judicial efficiency**, is a first time among top priorities, with a 20% increase in importance; **Anti-corruption measures**, also for the first time among top priorities, with a 14% importance increase.
 - *Decrease in importance* is evident in reforms that have been assessed as successful such as a **labor, construction permitting** and measures reducing **insolvency through bankruptcy** and **enforcement of regulation changes**.

Road to Growth is Long – Business Confidence and Necessary Preconditions

AmCham members remain cautiously optimistic as **61% of members expect growth of their business**, 50% expect that such growth will require additional employment in the next two years, while 40% of the members foresee a growth trend not just in their company, but in the whole industry in which they operate.

Members identified measures that are preconditions for realizing **growth potential**. Some measures have been already identified in previous surveys, but there are also some new ones.

Measures which have previously been identified as priorities:

- Increasing **predictability of tax law changes, reduction of the parafiscal burden** and **Tax Administration reform** remain absolute priority for 77% of AmCham members. Members report either no visible improvement since 2014, or even deterioration in terms of absence of public discussion for amendments of all tax regulations in 2015.
- **Curbing grey economy** and enforcing a level playing field is on the company level as important as on the level of the general business environment. Members note progress in this area, but maintain that sustainable effects are possible only with full implementation of inspection reform, raising inspections capacity, as well as strengthening the efficiency of the judiciary in processing such cases.
- **State administration reform** aimed at reducing bureaucracy, **improving public-private dialogue on regulations** and **increasing consistency in implementation of regulations overall** has remained a priority. In fact, lack of predictability of changes in regulations and consistency of their implementation have been identified as the greatest challenge for well over 50% of AmCham members. At the same time, perception of quality of the rule-making process (in terms of public discussions of the draft laws, timely preparation of implementing regulations, etc.) has worsened 15% to 20% on average.

New measures and topics include:

- **eGovernment** as one of the means **to increase efficiency of state administration** and transparency of internal administrative processes
- **Health care reform** – members point to the necessity of reducing regulatory and implementation barriers for more effective public-private synergies in health care, aimed at faster



access to modern therapies as well as reducing administration and increasing access to health services (e.g. reduction of public sector waiting lists);

- **Trade facilitation measures** – members call for simplification of import and export administrative procedures (with the focus on food safety, chemicals and cosmetics) and increasing coordination among various border authorities.
- **Reform of environmental regulations** to ensure strong and stable environmental policy, which will cut red tape, enable transparent adoption and changes of laws, better enforcement and evident support towards profitable and innovative solutions in this sphere.
- **Education reform** to converge theory and practical knowledge and bridge the gap between formal education and the labor market needs.

METHODOLOGY AND DEMOGRAPHICS – TRADITION AND GOOD BASE

Business confidence survey based on perception examination was performed among AmCham members for the third time this year. The first one was conducted at the end of 2013; the second a year later, at the end of 2014. Methodology for performing the survey remained unchanged: the quantitative part was based on an electronic, anonymous questionnaire, while the qualitative part was conducted through “one to one” interviews with the top management of selected companies.

The quantitative part was conducted during June and July 2016 and was answered by 54% of AmCham membership

(quantitative sample), after which representatives of 23 companies commented on its findings in August and the first week of September 2016 in one-on-one interviews (qualitative sample).

Sample structure

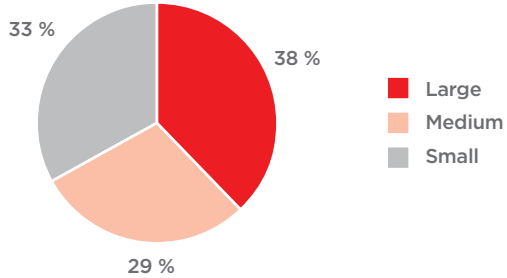
The quantitative sample consists of 38% large, 29% medium sized and 33% small companies (definitions in accordance with the Law on Accounting). Almost half of them – 44% employ more than 100 persons and almost a third – 29% more than 500 employees (supply chain employment is excluded from this analysis).

Polled companies cover various sectors including: agriculture, consulting and accounting, distribution and logistics, education and HR, financial services, fast moving consumer goods (FMCG), services, healthcare and pharmaceutical, information and communication technologies (ICT), manufacturing and production, marketing and PR, real estate and travel. The largest number of polled member companies come from the FMCG, ICT, manufacturing and consulting sector. 88% of the respondents from the quantitative sample are members of the executive management.

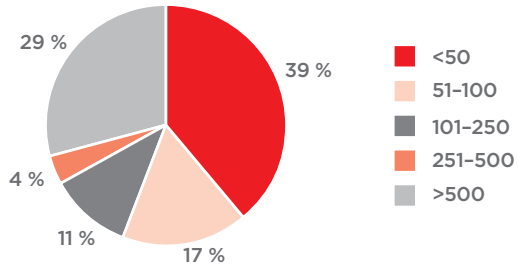
Qualitative sample – “Face to face” interviews were carried out with 23 AmCham members – 15 large companies (among them equally represented U.S., international and local companies) and 8 SMEs (35%). Companies from the first group (65%) employ over 500 people each. Sectoral coverage of the qualitative sample was the same as in the quantitative sample except for travel and education services lacking in the qualitative one. Almost all of the interviewees (93%) in the qualitative sample were CEOs of their respective companies



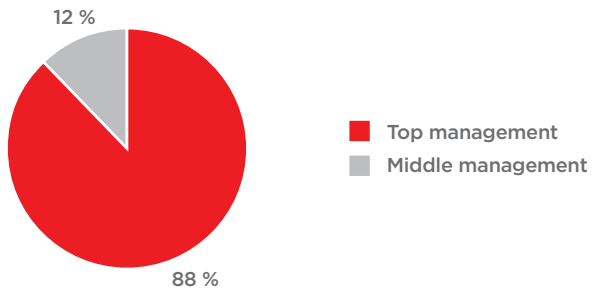
WHICH GROUP OF LEGAL ENTITIES DOES YOUR COMPANY BELONG TO?



HOW MANY EMPLOYEES DOES YOUR COMPANY HAVE?



WHAT IS YOUR POSITION IN THE COMPANY?

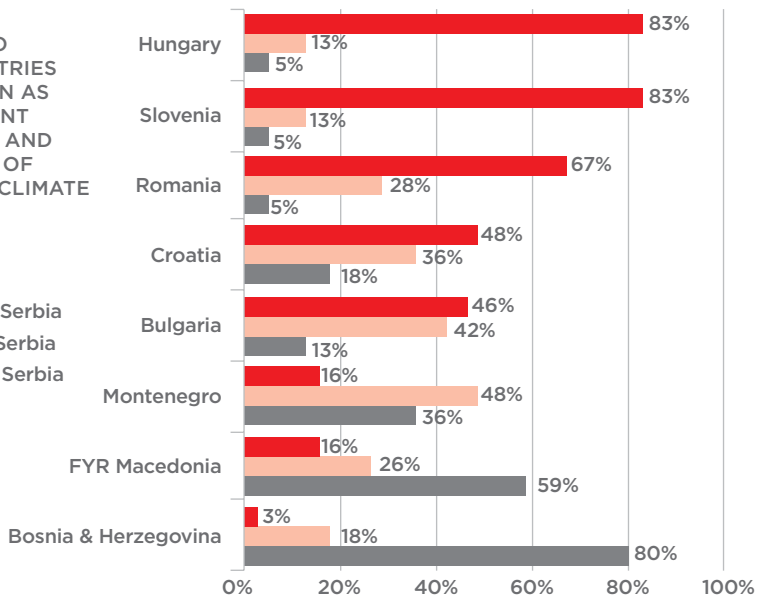


GOOD AND STABLE BUSINESS ENVIRONMENT IS A PREREQUISITE FOR GROWTH AND INVESTMENT

Comparing Serbia as an investment destination to its neighbors, AmCham members put Serbia generally ahead of Montenegro, Macedonia and Bosnia and Herzegovina, but behind its EU neighbors. Bulgaria poses a borderline case, as its business environment is assessed very similarly to Serbia's in a significant 42% of polled companies. EU membership is still highly appreciated as a guarantee of stability and predictability in the business environment, and the same goes for countries in progress on the EU accession track. When asked to comment on the higher ranking of Macedonia than Serbia in the World Bank Doing Business Report in comparison to the results of this survey, members point to high political volatility that is significantly decreasing expectations of Macedonia as an investment destination.

HOW SERBIA COMPARES TO OTHER COUNTRIES IN THE REGION AS AN INVESTMENT DESTINATION AND THE QUALITY OF INVESTMENT CLIMATE

- Better than Serbia
- Same as in Serbia
- Worse than Serbia



KEEP LEADING THE CHANGE FOR THE BETTER SERBIA FINANCE AND TAX COMMITTEE

The reform of Tax Administration has been on the agenda of Serbian governments for a long time. The overall reform of tax system, which should normally include both the reform of institutional framework and procedural rules governing collection of taxes is a long process which cannot be completed neither quickly nor easily. This requires a lot of time, organization and resources, which Serbian governments often did not have. For this reason, AmCham's Finance and Tax Committee has been working intensively with the Ministry of Finance and Tax Administration to improve transparency and predictability of Serbian tax system in areas which do not necessarily require big reform or large resources to complete.

Some progress has been made, especially with the introduction of the new Law on Inspection Oversight in 2015, with potential to bring more transparency in the system of tax inspections. Apart from this, AmCham survey results clearly show that little progress has been made since 2014. **It is evident that our members perceive the tax system as deteriorating, while para-fiscal charges remain one of the main problems for Serbian business**, despite constant announcements that these taxes will be abolished or at least re-organized. It appears that the **general perception of Serbian taxes as too high**, is further increased by the general lack of transparency in the tax legislative process, tax administrative procedures and especially in tax inspections.

77% of the participants stated that the reform of tax system is a priority in improving the overall business environment in Serbia. This should be taken seriously

and the Government should start working on this problem now. The first step is improvement of legislative process. Ministry of Finance should organize public debate before submitting any piece of tax legislation to the Parliament, therefore giving opportunity to business community to comment on tax laws. At the very least, business must be informed about any legislative change and its most important elements well in advance of the adoption of the new law.

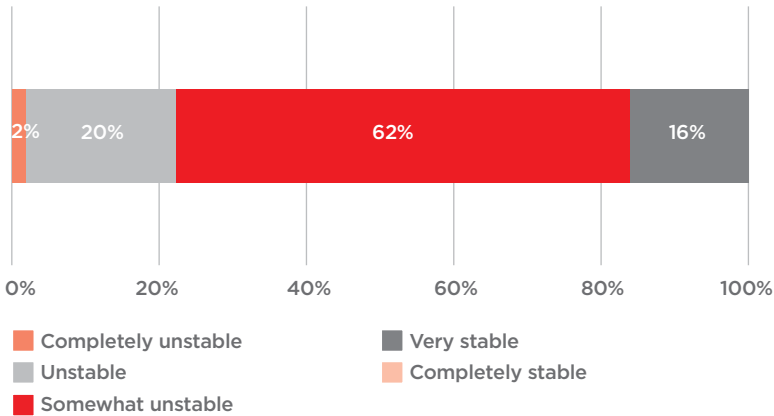
Para-fiscal charges must be abolished or at least reorganized to fit into standard tax forms. Tax system should also be more fair and reasonable, especially in relation to the taxation of employee benefits, donations made for humanitarian purposes, improvement of culture or local development.

Secondary regulations in all areas of tax must be re-organized: codified, simplified and supplemented. Ministry of Finance should provide unique, consistent and universally binding interpretations of all major issues of tax law through secondary tax regulations, and not only through fragmented and often inconsistent opinions. Furthermore, all internal guidelines of the Tax Administration should become publicly available.

These are the steps that can and should be taken immediately. **But the real improvement simply cannot be achieved without specialized and efficient tax courts.** Serbian system of tax disputes must be reformed, including the necessity to have the two-tier system of court disputes, as well as education and specialization of judges for tax matters.

As a comparison, 78% of members positively evaluated political stability in Serbia (62% rate it as stable and an additional 16% as very stable).

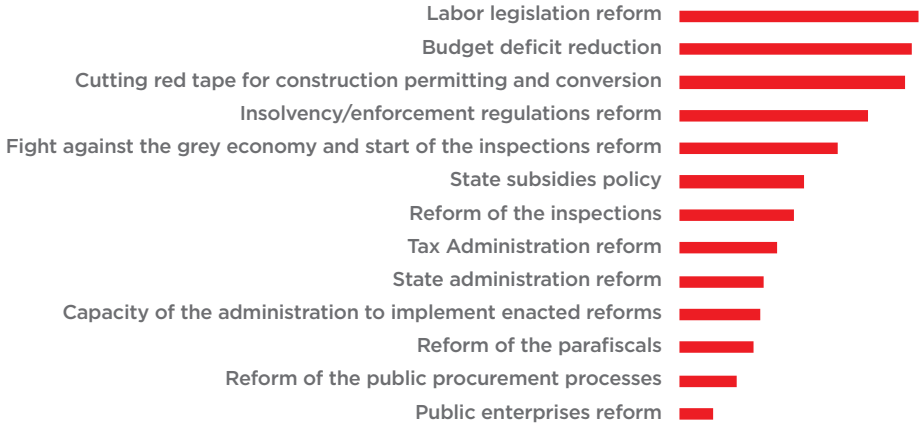
ASSESSMENT OF POLITICAL STABILITY IN SERBIA



When assessing the success of the business environment related reforms initiated in the past period, AmCham members express highest satisfaction with the Labor Law changes, budget deficit reduction (that resulted in macro stability) and reducing administration in construction permitting procedure. Reform of the inspections aimed at curbing the grey economy, although fully appreciated by the private sectors, attained more moderate marks due to its ongoing status and still significant unpredictability of its full implementation. The worst marks were scored by reforms of public enterprises, public procurement and parafiscal charges (earmarked revenues).

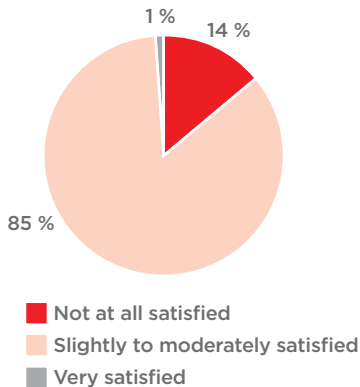


SATISFACTION WITH REFORMS IN THE PREVIOUS PERIOD

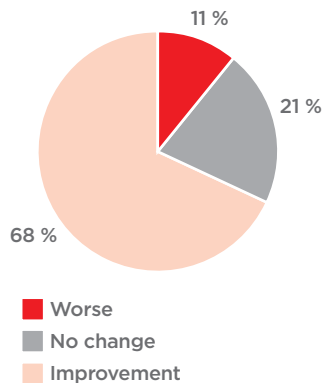


Notwithstanding relatively high appreciation of specific reforms above, **overall satisfaction with the business environment is moderate** (85% are slightly to moderately satisfied), with expectation of **improvements in the next 4 years** voiced by 68% of members.

SATISFACTION WITH BUSINESS ENVIRONMENT IN SERBIA



EXPECTATIONS FOR DEVELOPMENT OF BUSINESS ENVIRONMENT IN THE NEXT 4 YEARS



KEEP LEADING THE CHANGE FOR THE BETTER SERBIA TRADE FACILITATION COMMITTEE

The Trade Facilitation Committee started its first mandate in May 2016. The goal was to use cooperation between the private and public sectors to support the Serbian Government in right-sizing the procedures and measures intended to ease and accelerate the movement of goods across national borders to increase competitiveness on the regional market by alleviating the cost burden and maximizing efficiency. The key goal was to establish and maintain a constructive dialogue with all relevant government institutions involved in export/import issues, so as to join forces and achieve the right balance between promoting trans-border movement and combating illicit trade. The facilitation of trade, the elimination of unwarranted barriers, and the elevation of the level of effectiveness of the overall system will be delivered through improvements to the existing regulatory framework, ensuring transparent and uniform application of rules and institutional mechanisms for more effective coordination between government authorities.

The findings of the AmCham annual survey showed that **more than 90% of surveyed companies believe that the efficiency of in-country export and import procedures and access to export markets through trade agreements to which Serbia is party, are moderately to significantly important factors affecting the attractiveness of Serbia as an investment destination.** Considering the current barriers and deficiencies present in almost all trade policy areas, which are mostly due to neighboring states' approximation to the EU and the rules of the World Trade Organization, monitoring and advocating the enhanced application of CEFTA is one of the issues that will be actively addressed by the Committee in the coming period. The Committee will continue to stress the importance of private sector involvement by calling attention to inadequate implementation of the

Agreement and by raising awareness of its importance for economic growth in the region, primarily during the Serbia's presidency of CEFTA in 2017. This cooperation could be institutionalized by setting up a coordinating body to bring together representatives of all border inspections, the competent Ministry and the business community. The powers and responsibilities of this body would be similar to those of national trade facilitation bodies, the setting up of which is mandatory for WTO accession.

Given that member companies believe that **reducing bureaucracy in import/export procedures is one of five priority areas for the AmCham agenda**, the Committee will persist in advocating for these processes to be improved through uniform interpretation of regulations by customs and inspectorates, putting in place and upgrading IT infrastructure to improve the accessibility of documents, ensuring the predictability of procedures and achieving better coordination between the bodies doing fieldwork, sharing experiences, and training for the implementation of new procedures, as well as by amending current regulations and harmonizing them with the EU acquis.

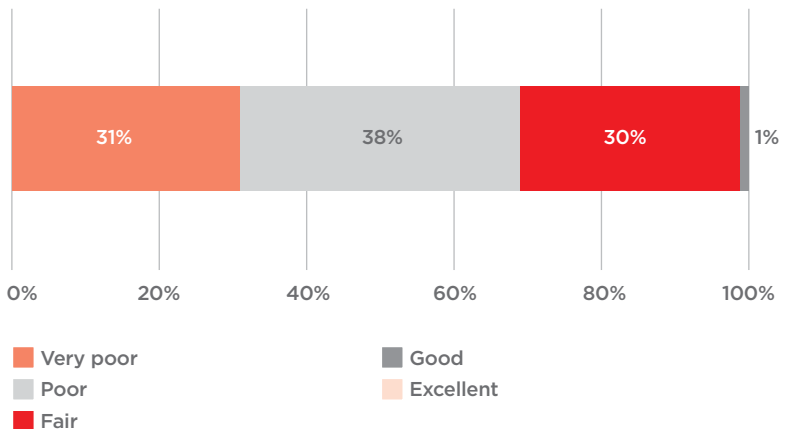
The fact that AmCham companies expressed mixed feelings about the success of reform implementation in different inspectorates following the adoption of the Law on Inspection Oversight suggests that it is necessary to ensure more consistent implementation of laws and focus inspection resources on more efficient identification of any misapplication.

The success of our future efforts will primarily depend on permanent and open dialogue between the business community and the state and we at the Committee are available to provide any expertise needed to improve the environment for all market participants.



When asked to explain caution in their optimism, members say that priority measures should include key **institutional reforms** that take significant resolve and effort. They highlight the urgency of finalization of **state administration reorganization** aimed at improving effectiveness in establishing level playing field in the market. Especially important is the focus on **raising efficiency of the judiciary** to ensure proper enforcement of contracts and provide effective protection of rights, as this has been assessed poorly or very poorly by 69% of the polled companies.

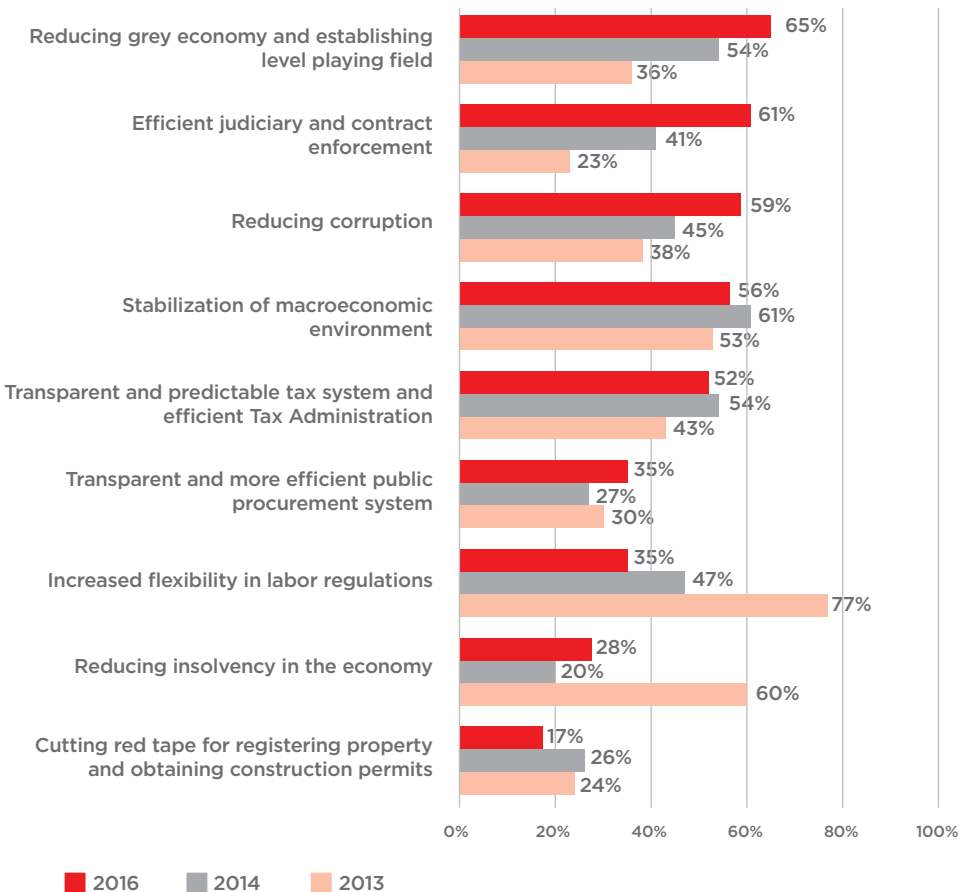
RATE OF EFFICIENCY OF JUDICIARY AND RULE OF LAW IN SERBIA HAVING IN MIND CONTRACT ENFORCEMENT, PROTECTION OF RIGHTS



Finalization of **public enterprises reform and their corporatization** is seen as a first step towards decreasing perception of corruption in the public sector. Finally, **reforms of system of public health care** and **reform of education** are, for the first time since this survey was implemented, mentioned as necessary for a secure and stable improvement of business environment.

Nonetheless, the trend is putting more focus on institutional factors such as efficiency of the judiciary (an increase of 20% since 2014), efficiency of the state administration to curb the grey economy (an increase of 11% since 2014) and institutional response to corruption (an increase of 14% since 2014).

REFORMS FOR IMPROVING OVERALL BUSINESS ENVIRONMENT - THE TREND



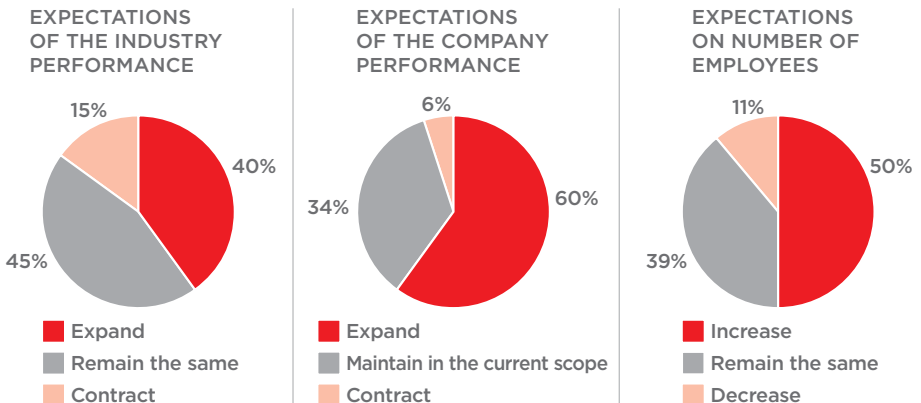
Milena Gajović Shrestha, Medigroup

The private healthcare sector in Serbia is a young and labor intensive industry (skilled workforce) with a steady growth so far and with even bigger growth potential. However, what hinders that potential is regulation that does not treat equally the private healthcare sector the public one.

INVESTORS' CONFIDENCE - STABLE, CAUTIOUSLY OPTIMISTIC

The confidence of AmCham members remains cautiously optimistic. Over half of members – 61%, expect growth of their business, 50% expect that such growth will require additional employment in the next two years, while 40% foresee a growth trend not only in their company, but in the whole industry in which they operate.

Pessimistic answers to the same question revolve between 10% and 15%.

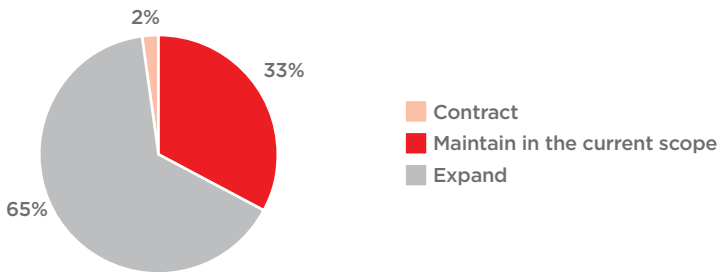


When asked to comment on a 10% difference in optimism regarding overall company and employment growth, a majority of interviewees cite repercussions of the recent crisis, remaining pressure on cost cutting, a growing trend of outsourcing and stretched revenue targets.

It is interesting to note that confidence in their company performance is somewhat stronger in the group of large companies which employ over 100 employees, than in the overall sample (65% in comparison to 60% overall), but they also have higher expectations of business environment improvement for realizing such growth (74% in comparison to 68% in the overall sample).

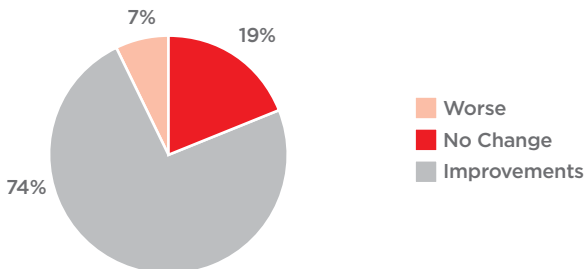
EXPECTATIONS OF COMPANY PERFORMANCE

Legal entities with more than 100 employees



EXPECTATIONS OF BUSINESS ENVIRONMENT IMPROVEMENT

Legal entities with more than 100 employees



KEEP LEADING THE CHANGE FOR THE BETTER SERBIA HEALTH CARE COMMITTEE

AmCham Health Care Committee is very pleased to see that the Government named the health care sector as one of its priorities at the beginning of its new mandate. We would like to underline our strong message to the Government that health expenditure is not a cost to be contained, but a crucial investment to promote economic growth. The results of the survey conducted by AmCham strongly support this claim. In fact, **members see health care as one of priority areas on which AmCham should focus in the future, which is particularly important given that only 9% of respondents are directly involved in the sector.** Although there has been some progress, Serbia's health care system is a rare example of an area which has not undergone significant reforms in the past 10 years, although reforms are necessary if the sector is to be sustainable and efficient in the long run.

We need to reverse the current trend for pharma and medical devices companies to reduce their presence in the Serbian market, reallocating investments to other Balkan markets, downsizing their highly educated workforce and reducing investment in education, equipment and research. **The proper way to achieve this is through better predictability of changes to the regulatory framework, as well as through transparency and consistency in the implementation of laws.** We expect to be actively involved in upcoming amendments to the Law on Drugs and Medical Devices and the Health Care and Health Insurance Laws, changes which are necessary to enable access to innovative health technologies and new financing models. It is equally important to ensure effective compliance

with regulations, and our priority here in the future is to avoid significant delay in introducing new technologies and to reduce waiting lists by including private health care providers within the system.

Like more than 50% of AmCham member companies participating in the survey, the Health Care Committee believes that a more transparent and efficient public procurement system would contribute to the better overall performance of health care, at both the level of hospitals and that of the National Health Insurance Fund. Given the trend of an increase in unsettled liabilities, the long-term effects of centralized procurement based on price alone and the principle of "winner takes all", alongside poor management of the process, changes should be focused on improving control mechanisms. This would ensure that planning for procurement is based on real needs, financial capacities and priorities and on striking a balance between price and quality in order to assure the best possible outcomes and protect the quality of health services.

AmCham member companies are dedicated to supporting the further development of our health care sector, which should be based on the principles of quality, preventive care, better screening, earlier treatment and promotion of health literacy and healthier lifestyles.

The AmCham Health Care Committee fully supports the reforms announced by the Government focused on better access to health care, efficiency, quality and prevention, which are fully aligned with the recommendations of the Health Care Study conducted jointly with the Ministry of Health in 2015.

In general, this year's results are consistent with those received in 2014 and 2013, with a marginal improvement in employment expectations – 50% expect further employment in comparison to 47% in 2014.

ROAD TO GROWTH IS DEMANDING - PRIORITY REFORMS FOR COMPANY GROWTH AND EMPLOYMENT

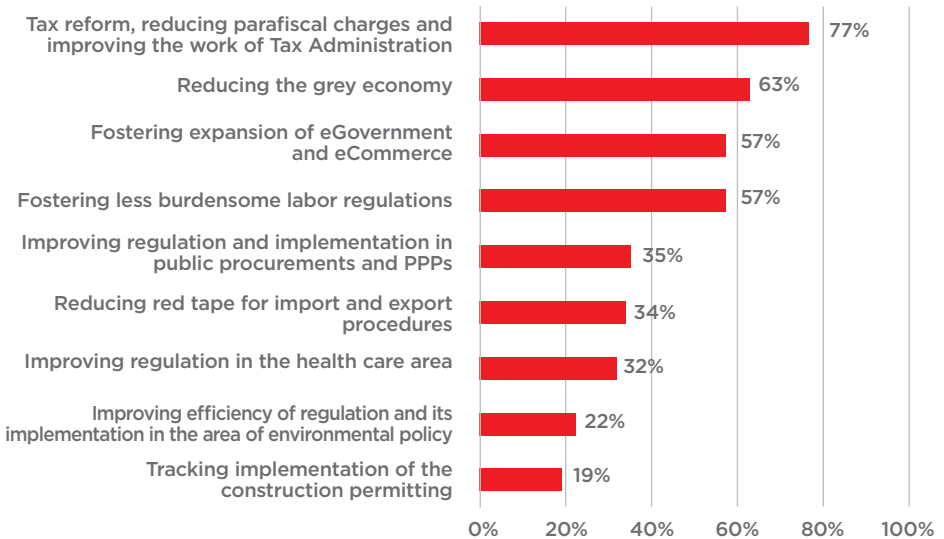
When asked to list measures that would lead to **realizing potential for their own company growth** and **further employment**, members list measures that have been already identified in previous surveys in 2013 and 2014, but there are also some new ones:

Measures which have been previously identified as priorities are:

- **Increasing the predictability of the tax and parafiscal burden** and consistent implementation by the Tax Administration;
- **Curbing the grey economy** and enforcing level playing field;
- **State administration reform** aimed at reducing bureaucracy in general, as well as:
 - increased public-private dialogue on regulations and
 - more consistency in implementation of regulations overall, with a special focus on inspections and import-export procedures.



PRIORITY REFORMS FOR COMPANY GROWTH AND EMPLOYMENT



New measures and topics include:

- **E-government** as a mean to **increase efficiency of state administration** and transparency of internal administrative processes;
- **Health care reform** - reducing regulatory and implementation barriers for more effective synergy of the public and private sectors aimed at faster access to modern therapies for citizens, increasing capacity for timely provision of health services and shifting from curative to preventive health care;
- **Trade facilitation measures** - simplification of import and export administrative hurdles (with the focus on food safety, chemicals and cosmetics) and increasing coordination among various border authorities.
- **Reform of environmental regulations** to ensure strong and stable environmental policy, which will cut red tape, enable

KEEP LEADING THE CHANGE FOR THE BETTER SERBIA COMBATING GREY ECONOMY COMMITTEE

Doing business in Serbia in 2016 presents many opportunities. The Serbian market is developing rapidly and our consumers' need for superior products and services is growing. However, alongside great opportunities there are also a number of challenges that must be overcome by those who want to develop and grow their business here. **One of the greatest challenges for the business community to emerge over the last few years is disloyal competition coming from the illicit trade channels, colloquially referred to as the "grey economy".** After the AmCham members identified this particular issue as one of the key obstacles to the creation of a more stable business environment in 2013, the Combating Grey Economy Committee was formed to tackle the problem head-on.

Over the last three years, the work of our Committee has focused on identifying the root causes of the problem of the shadow economy in Serbia, analyzing the gaps in the regulatory framework which allow the problem to persist and engaging with the relevant stakeholders to propose adequate measures and actionable solutions that can hasten the eradication of the problem. The umbrella Law on Inspection Oversight was adopted in 2015, in line with the suggestions of the Committee, providing the first effective mechanism for better coordination of inspectorates. The results are already visible, with an increase in seizures of smuggled and undeclared goods by customs officials and the tax authorities, particularly excise goods such as tobacco, alcohol and oil derivatives. However, the results of the 2016 survey show that **63% of our members still believe that tackling disloyal competition operating in illicit channels should remain a priority for the Government, and that this would contribute directly to an improved**

business climate and indirectly increase employment. At the same time, **around 70% of members said that the rule of law must be strengthened, and in particular that implementation of the law must be improved to better protect legitimate business interests from disloyal competition through illicit channels.**

While we worked hard in 2015 to ensure that the Law on Inspections Oversight was passed and that its implementation began to pick up steam, this year we are more focused on the back end of the problem – ensuring an adequate judicial epilogue to cases involving grey economy transactions and a robust punitive policy that will discourage repeat offenders and new participants from engaging in such acts.

The fact that AmCham members have once again identified the judicial treatment of disloyal competition and the length of court proceedings as two of the key problems they face in 2016 only strengthens our determination. In order to reduce the size of the grey economy we have to help the judiciary work faster and be more focused, allowing specialized experts to review well-preserved and appropriately gathered evidence, while the judgments they issue must be grounded in adequate punitive policies that discourage individuals from engaging such activities. This means working to facilitate and accelerate the specialization of prosecutors and courts to deal with cases involving the grey economy, improving their capacities and aligning all stakeholders along the way.

We are continuing to work hard to ensure that an even larger part of the Serbian economy emerges from the shadows.



transparent adoption and changes of laws, better enforcement and evident support towards profitable and innovative solutions in this sphere.

- **Education reform** to converge theory and practical knowledge and bridge the gap between formal education and the labor market needs.

Top on the List - Decreasing Parafiscal Burden and Reform of Tax Administration

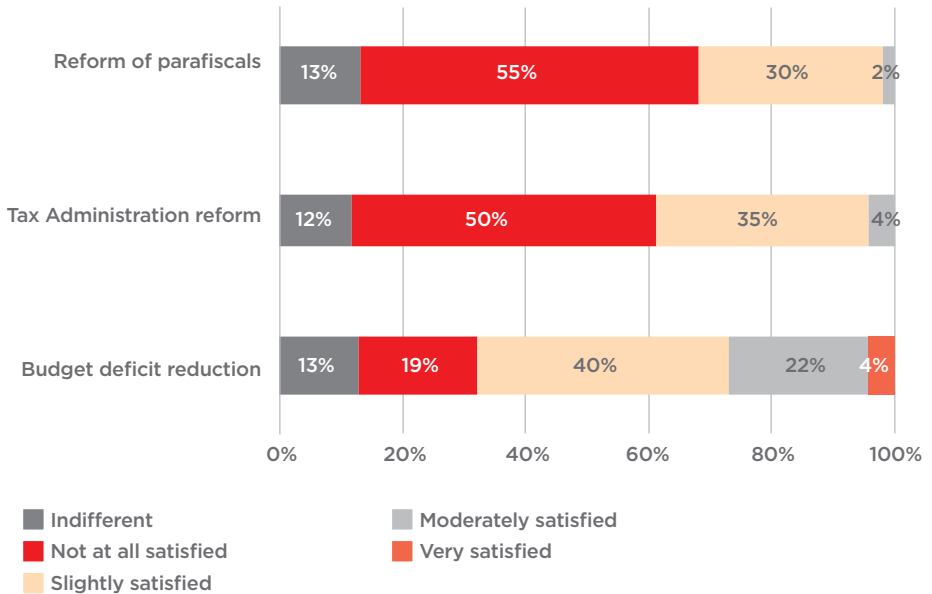
A large percentage of AmCham members – 77% consider as a No.1 priority **increasing transparency and predictability of tax regulations (open dialogue with the industry), ensuring consistency of their implementation by the Tax Administration and decreasing the parafiscal burden.** This result is similar to the one received in 2014 (75%), when it was also a first reform priority for AmCham members.

According to the polled AmCham members, predictability of the tax regulations actually worsened in comparison to 2014, since most were amended in emergency procedures in the second half of 2015, without a day of public discussion or even consultations with the affected parts of the private sector. As some of the introduced amendments were not backed by implementing guidelines, confusion in implementation lasted for months after their coming into force.

Dragan Radivojević, Apatinska pivara

Timely consultations with the industry on intended law changes secure better compliance and avoidance of unintended delays and costs.

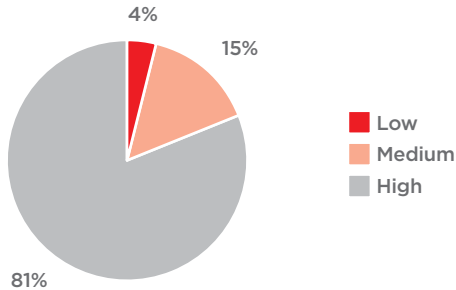
SATISFACTION WITH UNDERTAKEN REFORMS



As for the non-tax burdens, 81% of the members assess level of parafiscals and salary contributions as high. Despite the fact that reform was initiated in 2012 and that its extension was promised several times, it was not continued, resulting in 55% of the membership completely dissatisfied with its effects. The latest announcements at the end of 2015 regarding abolishment of some of the local level parafiscals (signage fee and ecological compensation), did not come through. There is still no public register of parafiscals and effective mechanism that would prevent their proliferation is still not in place.



RATE OF THE LEVEL OF EMPLOYEE CONTRIBUTIONS, PARAFISCAL BURDEN (CENTRAL GOVERNMENT AND LOCAL FEES AND CHARGES)



Mia Zečević, Novaston

In managing real estate projects throughout Serbia, it is difficult to keep track of all levies and charges, as they differ among municipalities and are differently calculated. Public register of all levies would significantly simplify our work and let us focus on our core business.

According to the polled AmCham members, significant credit for one of the best rated reforms – budget deficit reduction – should be attributed to the vigilance of the Tax Administration and intra-agency cooperation for a crackdown on the grey economy in its different forms. Nevertheless, in the matters that were identified as areas for improvement in the survey of 2014, little has changed, despite ongoing restructuring of this institution. In fact, over 55% of the membership is dissatisfied with visible effects of the Tax Administration reform, while at the same time 88% of the qualitative sample cite it as the most important reform overall. When asked to pinpoint the expected effects of the reform, members cite: a uniform approach by various outposts towards interpretation of the

same rules, consistency in interpretation of legislation between the Ministry of Finance and Tax Administration, a more efficient and independent appellate procedure. A significant number of interviewees proposed a stronger focus on the preventive instead of a purely enforcement role of the Tax Administration, which would lead to better compliance with the regulations, i.e. consultations with the private sector and greater transparency of internal rulebooks as an alternative to pure revenue collection.



Elena Diddier, Japan Tobacco International

The key aspect of the most important reform – the Tax Administration reform – should be allocation of inspection capacities based on proper implementation of risk assessment. The resources should be focused on investigating non-registered entities or entities with high frequency of offences effecting sizeable damage to the state budget.

Still High on the List of Priorities - Grey Economy Reduction

According to 63% of the membership, **reduction of the grey economy should remain one of the new Government's priorities**, while almost the same percentage maintains that its reduction will have a direct effect on the growth and employment in their own companies. The interviewees see unfair competition of the grey zone as a serious threat to their own operations and the state administration's incapacity to enforce level playing field as a failure of the "service" government is obliged to provide to businesses.

KEEP LEADING THE CHANGE FOR THE BETTER SERBIA REAL ESTATE TASK FORCE

Over the last two years, AmCham Real Estate Working Group has focused on participating in the drafting of two important laws aimed at improving procedures for issuing construction permits and finally resolving the problem of conversion of the right of use land into the ownership right with compensation.

AmCham acted as a constructive partner for the Government of the Republic of Serbia during preparation of new regulations aimed at simplifying and shortening the procedure for issuing construction permits. AmCham participated actively at all stages of the process, and directed significant efforts at improving the regulatory framework.

In the annual AmCham survey, the majority of members recognized the reform of the procedures for issuing construction permits as one of the most significant and successful reforms undertaken by the Government of the Republic of Serbia.

This regulatory reform must be followed by appropriate implementation, which has always been the hardest test for any innovation in the legal system. Having that in mind, **19% of AmCham members who responded to the survey said that monitoring implementation of the process of**

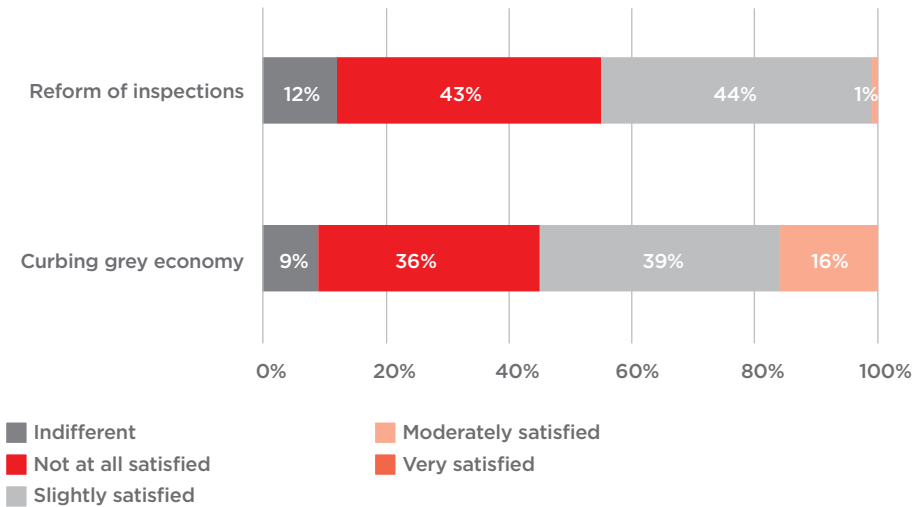
issuing construction permits should be a priority for AmCham.

Thus, in future we at AmCham's Real Estate Task Force will focus precisely on monitoring implementation of the new regulation related to the issuance of the construction permits. We will decide our future recommendations and activities according to the feedback we receive.

AmCham's Real Estate Task Force has also participated actively in the preparation of the new law regulating conversion. The draft of the new Law on Conversion included the majority of AmCham's recommendations, although last minute amendments made to the proposal resulted in the adoption of a law which will not resolve the conversion problem. On a long-term basis, the new regulation on conversion might become a major obstacle to the implementation of the new legal framework regulating the issuing of construction permits.

AmCham's Real Estate Task Force will continue its work to improve the legal framework through active communication with the government, especially regarding the existing inconsistencies in the new law on conversion.

SATISFACTION WITH UNDERTAKEN REFORMS



Miloš Jelić, NELT

When your business is distribution of FMCGs, an environment which undergoes fiscal consolidation does not inspire growth. But what would enable our growth would be effective results in combating grey economy.

Members acknowledge measures undertaken in an effort to curb the grey economy, with predominantly noticeable results in the activities of individual authorities (Tax Administration, Customs Administration, Trade Inspection, Police) and fuel marking mechanism. Enactment of the Law on Inspections Oversight was a significant step forward, but there is a still visible resistance of all inspections to fully implement systemic reforms and lack of capacity in some to properly enforce them. As the important next step, members see harmonization of the sectorial laws with this Law, as a means to reduce

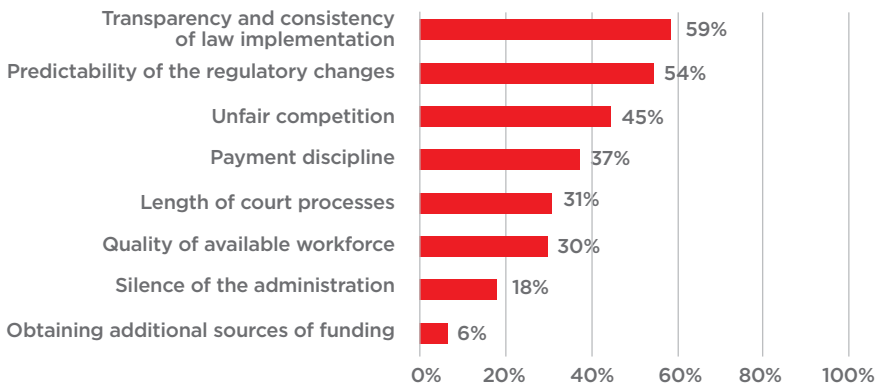
complexity and confusion over the applicable rules. In addition, they put significant focus on necessary capacity building of inspections and introduction of effective evaluation mechanism.

State Administration Reform is Needed, Resulting in More Efficient Public Service

Consistent law implementation

Similarly to the results in 2014, the key identified challenges to businesses remain **consistency of law implementation and predictability of regulatory changes**, pointing to minimal achievements in this area so far. The majority of the respondents who stress the necessity of state administration reform complain about haphazard and arbitral interpretations of the laws by implementing authorities, lack of clear enforcement rules (from by-laws to implementing guidelines) and differences in opinions between different parts of the administration.

KEY CHALLENGES TO YOUR BUSINESS



KEEP LEADING THE CHANGE FOR THE BETTER SERBIA BUSINESS AND CORPORATE LAW COMMITTEE

The first mandate of the Business and Corporate Law Committee ended with good results achieved in the period 2014-2016, along with its members trust that the achievements will have an impact and make the business environment in Serbia more attractive for investment. In the given period we managed, as far as was possible, to improve the provisions of the Law on Bankruptcy and the Draft Law on Enforcement and Security, while we also contributed to the drafting of many other laws. For this reason, I and the exceptional professionals, Committee members, are brimming with enthusiasm at the start of our second term of office, fully committed to continuing where we ended our previous term and taking yet another step forward in improving our business environment.

Closely monitoring the needs of member companies and looking at the results of previous AmCham surveys, we have agreed on the priorities for the future Committee activities.

The AmCham survey identified a lack of transparency in the enactment of regulations as one of the key issues in the business environment and something which affects economic growth in Serbia. Several dozen (as many as 76) regulations with a significant impact on business were enacted without any public debate, while a large number were subject to public debate which was too brief. It is thus clear that the procedures for adopting systemic laws that have a financial impact on the economy must be reformed. There is also a need for high quality reviews of proposed legislation by both the professional and business publics.

In this context, we have already started work on amendments to the Draft Civil Code, an example of a systemic law requiring comprehensive, long-lasting and carefully implemented public debate, with a strong involvement by the professional public and companies.

Bearing in mind the exceptional importance of the Law on Personal Data Protection for doing business, and the lack of any progress of reform in this area in the previous period, drafting a quality text for this law will remain a priority for the Committee in the period to come.

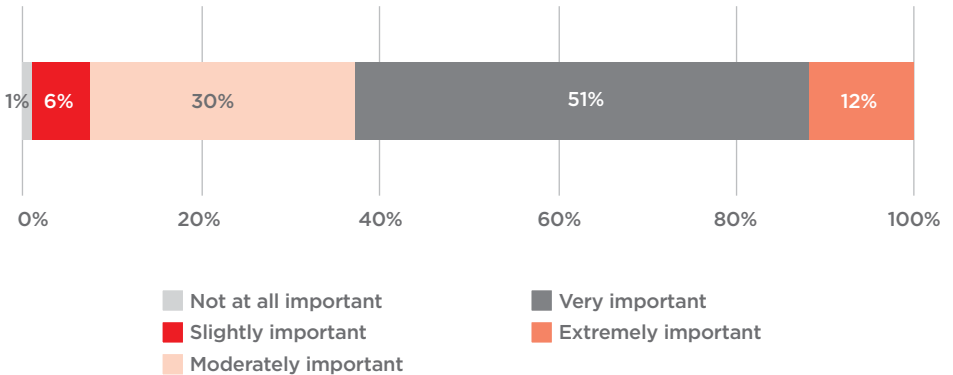
In view of the steady increase in the proportion of non-performing loans in the total lending activities of banks, and the need for loans in order to develop the market, the Committee will also focus on further advancement of the Bankruptcy Law through improvements to the mechanism of reorganization and by investing efforts into recognizing the need to regulate new bankruptcy institutes, such as personal and group bankruptcy, as well as by concentrating on appropriate amendments to the civil procedure code.

Finally, insistence on consistent, efficient and professional implementation and enforcement of the law by the courts and other authorities will remain a constant in the activities of the Committee, with the aim of strengthening the legal state, certainty and confidence and certainty in implementation of the law. **The importance of such efforts is also confirmed by AmCham members in their assessment that court efficiency is poor and that improvements in that area represent one of the key reforms that the new Government must implement.**



Although there are sectorial differences in the qualitative answers (e.g. banking regulations and the NBS as a regulator are seen as strict but transparent and consistent; the Customs Administration is perceived as constantly improving and responsive), majority of the respondents see the largest room for improvement in the area of inspections administrations. Consequently, full implementation of the Law on Inspections Oversight is good news for 63% of members who deal with export and import procedures, extremely or very important for attraction of investments.

IMPORTANCE OF ACCESS TO EXPORT MARKETS THROUGH TRADE AGREEMENTS AS WELL AS EFFICIENCY OF IN-COUNTRY EXPORT AND IMPORT PROCEDURES



Vladimir Čupić, Victoria Group

Export led growth in our sector greatly depends on clear, unambiguous and consistently implemented rules regarding food safety.

When asked about key expectations in this regard, respondents highlight enforcement of the proper risk assessment analysis as well as review and harmonization of numerous procedures that border inspections apply.

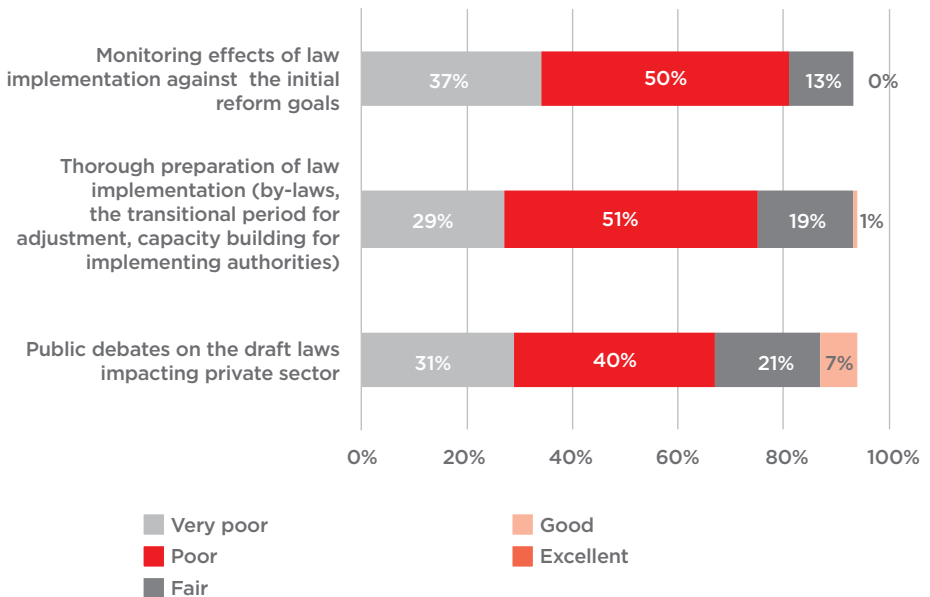
Quality of the regulatory making process

The answers to the more in-depth questions on the **inclusiveness of the regulatory making process also reveal worsening in perception since 2014**. Despite establishment of institutional and legal preconditions for inclusive public debates and thorough assessment of future impact of laws (Government Rulebook, the regulatory impact assessment mechanism), members' perception has worsened – 71% assess poorly effective inclusion of private sector in the debating draft laws, which amounts to over 20% rise in negative perception since 2014. This might not be surprising given the fact that out of 121 adopted laws in 2015 76 (63%) were adopted in emergency procedure. When asked for examples, members mention the Law on Inspection Oversight, Law on Construction and Planning and the Law on Enforcement Procedure as good examples of inclusive public discussion, while tax laws and public procurement law amendments in 2015 are mentioned as the non-inclusive ones. The situation is not better in the other categories, as a 15-20% rise in negative perception also applies to the timely preparation of implementing regulations and monitoring effects of the enforced regulations against set goals.

Jelena Pavlović, Philip Morris International

Overuse of emergency Parliamentary procedure, as noted in the EU progress report, calls for more precise definition of reasons for its usage. By the same token, it is necessary to define more closely which draft laws require mandatory public discussion.

THE QUALITY OF REGULATORY MAKING PROCESS



Ronald Seeliger, Hemofarm

Health care has not undergone a well-planned systemic reform in the last 15 years. Now we have a chance to do it right.

Reducing administrative burden through eGovernment

According to 57% of the membership **fostering eGovernment and eBusiness would decrease administrative and transactions costs and thus directly influence improved business results.** Recent amendments to the Law on Administrative Procedure, barring public administration from requiring documents other parts of the administration issue, provided incentive for better connection and coordination between various state registers and databases. Electronic tax filing and recently implemented electronic construction permitting mechanism have been praised by members, thus raising expectations for implementation of eInspection system. Members consider eGovernment also as a means for increasing transparency and reducing corruption threats, especially in the area of public procurement and the judiciary.


Uroš Popović, Bojović and Partners

The on-line judicial portal should re-enable search for court disputes involving legal entities. Also, the state should establish integrated registries on credit worthiness of legal entities, which would help in reducing fraud.

However, despite some good examples, previous systemic reforms have fallen short of their full implementation. Hence, there are a lot of still(s): eDocument needs to have its paper form, eArchive misses the legal framework, eSignature is only sporadically used and the formal company seal is considered a gold standard within the public services.


Miloš Đurković, Hewlett Packard Enterprise

Development of eGovernment infrastructure requires a strong, centralized function within the Government – only with such an approach the current system can thrive.

KEEP LEADING THE CHANGE FOR THE BETTER SERBIA LABOR REGULATIONS TASK FORCE

Labor Regulations Task Force's mission is to improve labor legislation and monitor problems in the implementation of labor regulations. In the AmCham survey, members named the Amendments to the Labor Law from 2014 as the best reform implemented by the Government since 2012. The Labor Regulations Working Group has participated actively in the process of enacting the law, and after more than 25 meetings with representatives from the Ministry of Labor, Employment, Veteran and Social Affairs, working group representatives and trade unions, the adopted law included 70% proposals of the Labor Regulations Committee. We are pleased by what we have achieved, but we are aware that we still face many problems on the ground and a number of regulations need to be changed if Serbia's competitiveness as an investment destination is to be increased and the general business environment in Serbia is to be improved.

According to the results of the survey, 57% of AmCham members believe that in its new term of office, the Government should focus on reducing the administrative barriers in implementing labor regulations. It is above all necessary to continue the dialogue about changing the method of calculation of so-called salary compensation for the duration of annual leave. In addition, the goal of the Task Force is to aim for the removal of administrative obstacles, primarily those set by procedures for obtaining residence and work permits, as well as simplification of the procedure for the secondment of employees abroad.

A frequent problem faced by our members is inefficient work by the administrative authorities and poor coordination between various services and authorities. In this regard, the Task Force will initiate coordina-

tion with the Administration for Foreigners and the National Employment Service in order to investigate jointly why the same regulations are interpreted and implemented differently, to examine the possibility of obtaining both permits in one place, and to try to expedite and simplify the procedure for obtaining work and residence permits.

About 58% of AmCham polled members rated the overall quality of the labor market and qualifications in Serbia as moderate with regard to the availability of trained workers, the education system and the level of education of the workforce, workforce flexibility and adaptability, the availability of managerial skills, knowledge of foreign languages, etc., and 30% of respondents identified the quality of the available workforce as one of the greatest challenges for their business operations in the upcoming period. For this reason, the current priority of the Task Force is to achieve a more efficient and accessible framework for internships and for gaining practical experience in the profession. The existing legal framework does not recognize contractual form that allows internships, which negatively affects the level of professional training and development of unemployed young people without work experience. This is why the Task Force is working actively to find a legal solution that can make it possible for young people to gain practical experience without becoming employed or taking professional competence or specialist examinations.

We will continue our work and do our best to improve labor regulations and the business environment in Serbia, and we ultimately hope to see greater optimism from AmCham members regarding growth and increased employment in the next survey.

EMERGING TOPICS

Health care reform has surfaced as an important topic for 32% of AmCham members (a far larger share than 9% of health care companies answering the quantitative survey), proving its importance for the larger membership. The key challenges for companies that work in the health care sector are lack of predictability regarding introduction of new therapies, lack of consistency in implementation of regulations and regulatory barriers for closer cooperation between public and private sectors in provision of health services.



Miloš Radivojević, EY

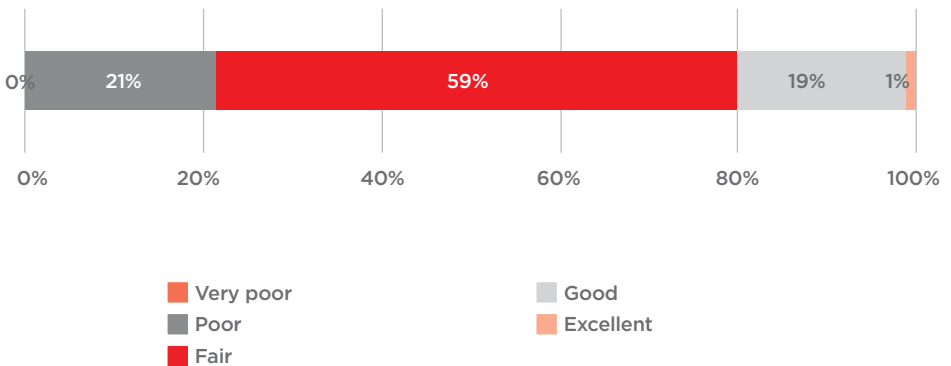
Reform of the health care is necessary for providing more efficient and accessible service for the citizens. This can be achieved only in making the best out of the synergy between public and private sectors.

Education reform has become a common denominator for a large number of AmCham member companies who are highlighting a need for converging theory and practical knowledge, bridging the gap between formal education and the labor market. Mismatches concerning knowledge and skills learned at schools and those required in a modern business are easily identified at almost all entry positions, regardless of company or industry type. Solid knowledge of IT skills and foreign languages are identified as shortcuts to quick employment.

Vladan Živanović, NCR

Education reform should result in innovation of curricula in line with modern market needs and providing opportunities for attainment of practical knowledge.

OVERALL QUALITY OF LABOR MARKET AND SKILLS IN SERBIA HAVING IN MIND AVAILABILITY OF SKILLED LABOR, EDUCATION LEVELS AND SYSTEM, FLEXIBILITY AND ADAPTABILITY OF THE WORKFORCE, AVAILABILITY OF MANAGERIAL AND LANGUAGE SKILLS AND SIMILAR



Environmental protection provides a set of mutual obligations for most of AmCham members, mainly in the area of waste management. The regulatory framework is generally acceptable, but pretty much burdensome, unbalanced and lagging behind reality. With the upcoming opening of Chapter 27 in the EU accession process, companies highlight serious need for a strong and stable environmental policy which will cut red tape, ensure

KEEP LEADING THE CHANGE FOR THE BETTER SERBIA ENVIRONMENTAL COMMITTEE

The need to find a solution for the many environmental protection challenges faced by companies in Serbia was why the AmCham formed a dedicated committee to address improvement of the business environment for companies operating in Serbia, from an environmental standpoint. Meetings with representatives of a large number of AmCham member companies indicated that there was a clear consensus over environmental hot topics, and a signal that private sector wishes to contribute to the removal of obstacles for doing business effectively and responsibly. AmCham is an ideal platform for companies to join forces and strive to advance the business climate, providing them with an opportunity to speak to decision makers with a single, and therefore louder, voice.

Environmental Committee started its activities in May this year, focusing on removing regulatory obstacles in waste management and the circular economy, as well as other important environmental policy issues, and also on harmonizing national and international regulations and creating the conditions for them to be implemented in practice. The results of the annual AmCham survey clearly showed that we are on the right path, with **22% of member companies identifying improving the efficiency of environmental policy regulations and their implementation as a priority for AmCham.**

We absolutely agree that the Government must work on improving the efficiency of administration in dealing with problems in practice, where open and continual communication with businesses is necessary, if the most efficient solutions to a number of challenges are to be found. Unfortunately, there are still many challenges, including the tedious red tape with which waste management is burdened; the need to strengthen the capac-

ity to manage different types of waste, such as packaging and packaging waste, special waste streams, hazardous waste, biodegradable waste, and food surplus; the unpredictability and variability of the inspection service's treatment of businesses; the necessity of ensuring stable funding in the environmental field; and the need for improved efficiency in the provision of the necessary documents and licenses in the sector.

The Environmental Committee is ready to act as a constructive partner for the Government **by advocating more predictability in the enactment of ecology-related regulations and their more consistent implementation.** We will provide support when redesigning and harmonizing applicable environmental regulations, aiming for the best solutions to be adopted in line with the practices and experiences of EU countries, and tailor-made for the current situation of the Serbian economy. The first steps in this direction have already been taken, and we are very pleased that the government has recognized us as partners and that we will be collaborating with the Ministry of Agriculture and Environmental Protection as members of the working group dealing with amendments to the Law on Packaging and Packaging Waste. During the short time since the committee was founded, its representatives have also become members of the working group dealing with protection of natural resources within the Coordination Body for Inspection Oversight.

In the period to come we will also focus on the issue of the circular economy and raise awareness in society about the significance of environmental issues which are closely related to the economy.

Our efforts will be fraught with challenges but will also, I am certain, result in success.



transparent adoption and changes of laws, better enforcement and evident support towards profitable and innovative solutions in this sphere.

**Branislav Savić, Ball Packaging Europe**

For large corporations doing their budgetary forecast for two to three upcoming years by relying on the regulatory framework they operate in, every sudden change of legislation is like a nuclear threat.

USAID Business Enabling Project (BEP)

Dragana Stanojević, Project director

The USAID Business Enabling Project (BEP) is a seven-year initiative launched in January 2011 that aims to enhance the competitiveness of Serbia's economy, cut red tape and unnecessary direct and indirect financial levies, as well as enhance professional standards and the rule of law. Since the very beginning, our work has been based on close collaboration with the business community and business and professional associations. This cooperation has greatly helped to establish priorities in the approach to reforming the business environment, but also to identify the actual problems and obstacles in various aspects of doing business. All analyses of existing systems, the regulatory environment, and implementation of legislation began with discussions with businesses, and it was these discussions that guided the proposed reforms.

American Chamber of Commerce in Serbia has over the course of all these years taken an active part in analyses and discussions of reforms that USAID BEP has participated in, in the fields of labour law, streamlining construction permitting, tackling the shadow economy and enhancing inspection oversight, and making debt collection

more efficient. **To name just the key outcomes of our joint efforts to improve Serbia's business environment: the Labour Law was adopted in July 2014, making the labour market more flexible and reducing red tape; the Law on Planning and Construction was enacted in December 2014 and has made construction permitting quicker and more transparent and introduced online one-stop-shops and electronic permitting; and the Law on Inspection Oversight, adopted in 2015-2016, which mandated inspection coordination, a risk assessment system, and preventive action by inspectors, as well as gave inspections jurisdiction over firms operating in the informal economy.** Some success was achieved in addressing the issue of para-fiscal charges with the removal of 138 of these levies in 2013, but the effects of this one-off reform were, unfortunately, very limited. We are yet to see the development of a registry of fees and charges and analysis of their impact on the construction industry. Drafting of regulations and procedures to improve existing para-fiscal levies and their presentation to stakeholders and decision-makers is still to be finalized, while efforts to prevent the ad hoc introduction of new para-fiscal

fees and charges without a transparent and inclusive adoption procedure is still not a rule.

The priorities defined in this year's AmCham survey correspond to a large extent with USAID BEP's priorities for the coming year.

Although the findings of USAID BEP's 2016 Business Survey are still not available, in view of the trends seen over the past five years, we can assume with some certainty that the unpredictability of the volume and amount of para-fiscal charges will remain high on the list of obstacles to doing business in Serbia. Moreover, although last year's survey did reveal positive developments in the perception of inspectors' expertise and professional communication skills, as well as the coordination of inspection oversight, the complex issue of inspections reform requires continuing support. The key aspects of this reform that USAID BEP will work on are the introduction of an electronic inspection oversight system, monitoring implementation of new legislation, and harmonisation of sectoral regulations with the umbrella Law on Inspection Oversight. The focus of all reform efforts will be put on strengthening institutional capacity of the Government of Serbia to implement reforms.

Debt collection is yet another long-standing cause for concern for Serbia's businesspeople. The efficiency with which contracts can be

enforced affects the predictability of doing business, assessment of investment risk, availability and cost of business finance, and, more broadly, the perceived integrity of the Serbian judiciary and public confidence in the justice system.

The findings of our survey have over the years consistently indicated problems with actions of the Tax Administration and the tax assessment and collection system. There is a great deal of correlation between the results of the Business Survey and AmCham's research: in both surveys, businesspeople report that continuing development of e-Government services is one of the most important and effective means for improving the ease and predictability of doing business and enhancing the efficiency of institutions that implement business regulations.

Finally, each aspect of doing business is affected by the process of making decisions to amend to the regulatory framework, which should be made more inclusive by involving all stakeholders and the civil sector. Businesses should be included in consultations and discussions at all stages of decision-making when regulatory amendments are considered. The requirement to hold public consultations with regard to bills and proposed by-laws should be fully adhered to and regulatory impact assessments (with respect to both businesses and the general public)

should be developed in earnest. This would increase the predictability and legal certainty of Serbian business environment and enable businesses to better plan and invest.

Among the USAID BEP's priorities for the next year that contribute to the reduction of the shadow economy are continuing the support for implementation of the Law on Inspection Oversight through capacity-building for the division of the Ministry of Public Administration and Local Government tasked with support for the inter-departmental Inspections Coordination Commission. This will involve a team of experts to prepare the Commission's meetings and draft its conclusions, analyse the reports and operations of the Commission's working bodies (which include representatives of the business sector), draft quarterly reports to be submitted by the Commission to the Government; and contribute to streamlined inspection oversight planning. In addition, priority will be commencement of development of the e-Inspector system and ensuring constant communication with users of this system at four pilot inspection authorities that should introduce the e-Inspector system in the first year of its development (Market, Labour, Administrative, and Tax Inspection). The system will ensure standardisation and transparency, full implementation of risk assessment in inspection oversight, elimination of overlap between inspection powers,

and monitoring of activities of inspection authorities and individual inspectors. Thirdly, priority will certainly be the education of inspectors (some 6,000 inspectors at 36 inspection bodies across 12 ministries) to implement the new law, with particular emphasis on communication with businesses and preventive role of inspection oversight. Furthermore, priorities also are preparation and organisation of a professional inspector examination, harmonisation of sectoral legislation with the Law on Inspection Oversight and monitoring of results achieved by inspection authorities through analysis of their reports.

Full implementation of the Law on Inspection Oversight is certainly not the sole measure aimed against the shadow economy. We trust that AmCham will remain involved in other activities envisaged under the National Plan to Address the Informal Economy, which include collaboration and coordination with misdemeanour courts, public prosecutors' offices, the Customs Administration, and the Ministry of Interior.

USAID BEP will also continue supporting the Ministry of Construction, Transportation and Infrastructure to streamline construction permitting. This assistance will be focused on monitoring the implementation of new legislation, harmonising regulations, aligning regulations and procedures at local authorities and relevant public enterprises,

and continuing to improve electronic planning and construction systems.

To improve enforcement of contracts, USAID BEP will work with the Ministry of Justice and the Chamber of Enforcement Officers, as well as with AmCham and other business associations, to monitor the implementation of the new Law on Enforcement and Security during the first year following its introduction, so as to identify and, wherever possible, resolve any disputes related to its implementation in a timely manner. The Law on Enforcement and Security has, on the one hand, introduced a new system of appeals and complaints and extended the remit of enforcement officers, and, on the other, made a number of amendments to enforcement mechanisms, status of enforcement officers, and costs of the procedure. With this in mind, the implementation of this Law ought to be monitored by all stakeholders so as to enhance its impact on businesses and their operations.

One of the main preconditions for further progress in all priority areas – and, in our experience, the key to the success of any reform aimed at ensuring economic development – is continuing dialogue between the Government of Serbia, business associations, and the business sector as a whole. **Collaboration with AmCham has made a significant contribution to the quality and effectiveness of this dialogue through a number of**

professional analyses and comments, as well as through the organisation and presentation of the AmCham survey conducted among its member companies. AmCham possesses the professional and organisational capacity to continue contributing to the establishment of permanent mechanisms of consultation between businesses and the public sector; along with the FIC, the Chamber of Commerce, and NALED, AmCham is a powerful mouthpiece articulating the influence and interests of businesses. Through all aspects of its work, USAID BEP supports and assists the continuing development of its dialogue and constant improvements in its credibility and quality. Working groups involving businesspeople; consideration of analyses and suggestions made by businesses; constant consultations and public discussions; as well as mutual respect between the Government of Serbia and the business community and their readiness to engage in conversation – these should all become standards that will be adhered to whenever amendments are planned and the business environment is altered.

Findings of USAID BEP's 2015 Business Survey and this year's AmCham survey conducted among its members reveal that businesses in Serbia are optimistic about their development and growth. We trust that we will together be able to contribute to justifying such optimism, as we have done to date.



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